

1961
Vol. I

**GOVERNMENT, BUSINESS
AND HIGHER EDUCATION**

by

William B. Dickinson, Jr.

	Page
TASK OF FINANCING HIGHER EDUCATION	205
Kennedy's Scholarship and Loan Proposals	206
Financial Requirements of the Next Decade	207
Sources of Funds to Support Higher Education	208
FEDERAL AID TO COLLEGES AND STUDENTS	209
Origin and Expansion of Federal Programs	209
Annual Outlays; Dependence on Federal Aid	210
Criticism of Federal Financing of Research	212
Measures to Safeguard Freedom in Research	214
Opposition to Loyalty Oaths for Federal Aid	215
AID FROM CORPORATIONS AND FOUNDATIONS	217
Growth of Business Giving to Higher Education	217
Reasons for Corporation Support of Education	219
Foundation Grants; Diversity of Income Sources	220

No. 11
Mar. 22

THE right to reproduce material contained in *Editorial Research Reports* is strictly reserved to the newspaper clients of the service. Verbatim use of such material by others will be permitted only upon written authorization of the editor.

RICHARD M. BOECKEL, *Editor*

BUEL W. PATCH, *Associate Editor*

Editorial Research Reports
1156 Nineteenth Street, N.W.
Washington

GOVERNMENT, BUSINESS AND HIGHER EDUCATION

PRESIDENT KENNEDY's program for higher education, presented to Congress in a special message on Feb. 20 and in a proposed legislative measure transmitted on March 7, points up anew the expanding scope of federal assistance to the colleges and universities of the United States. The President is seeking authorization of a widened five-year program of college scholarships, continuation of a program of loans for dormitory construction, and establishment of a new loan program for construction of college classrooms, libraries, laboratories and other needed facilities.

The new program is advanced at a time when college administrators are pondering how they can accept increasing federal financial assistance and at the same time maintain the tradition of academic independence. This concern is shared by others outside the educational field. President Eisenhower, in a farewell address to the American people, sounded a warning against the possibly adverse influence of one type of federal aid to higher education—contracts for research projects.

"The prospect of domination of the nation's scholars by federal employment project allocations, and the power of money, is ever present—and is gravely to be regarded," the retiring President said, Jan. 17, in a televised address. Virtually all educators would agree with him that "the free university, historically the fountainhead of free ideas and scientific discovery, has experienced a revolution in the conduct of research" due to extensive government involvement since World War II. More debatable was his contention that "partly because of the huge costs involved, a government contract becomes virtually a substitute for intellectual curiosity."

A marked trend toward large infusions of corporation and foundation as well as government money likewise

poses important questions of allocation for institutions of higher learning. Welcome as this assistance has been, some educators fear that it, too, can create an academic imbalance if lavished only on the areas of research and study of immediate practical advantage to the donors.

KENNEDY'S SCHOLARSHIP AND LOAN PROPOSALS

President Kennedy's scholarship scheme, to aid able high school students who need financial assistance to go to college, would make four-year scholarships averaging \$700 a year available for 25,000 students in the first year, for 37,500 additional students in the second year, and for 50,000 additional students in each of the next three years; in addition, the federal government would pay \$350 a year, for each scholarship student, directly to the institution in which he was enrolled.¹ Long-term, low-interest loans would be made available to colleges and universities in the amount of \$300 million a year for five years for construction of classrooms, laboratories and other facilities, and in the amount of \$250 million a year for five years to expand the existing college housing program.

Availability of aid under all sections of the program to private as well as public institutions of higher education brings up the question of constitutionality that has been raised in connection with the administration's proposal for federal aid to elementary education restricted to public schools. Edgar Fuller of the Council of State School Officers told a House Education subcommittee, March 15, that the council was "not favorable toward public financing of non-public education at any level" and questioned the constitutionality of payments and loans to private institutions, though not of scholarships to individual students. Health-Education-Welfare Secretary Abraham A. Ribicoff insisted to the subcommittee the same day that the constitutionality of the higher education program was not in doubt. Noting that there were more than 1,300 private and church colleges in the United States, as compared with only 700 land grant and other public colleges, Ribicoff said it would be impossible to meet public demands for federal aid to higher education if the aid had to be limited to land grant and other public colleges.

¹ With each four-year scholarship costing an average of \$4,200 (\$2,800 to the student and \$1,400 to the college), the program would cost a total of \$892.5 million by the end of fiscal 1969, when students entering college in the fifth year of the five-year program would have completed the fourth year of college. See *Congressional Quarterly Weekly Report*, Feb. 24, 1961, pp. 308-309.

Government, Business and Higher Education

A dilemma facing almost all colleges and universities is that they must serve ever-expanding student bodies but at present lack firm assurance as to where the money for the required expansion of faculties and facilities is to come from. In the autumn of 1939 the nation's institutions of higher learning enrolled 1,023,750 full-time and 341,250 part-time students. A decade later, attendance had risen to 1,842,750 full-time and 614,250 part-time students, due principally to the large numbers of veterans enrolled under the G.I. Bill of Rights. Enrollments declined in 1950 and 1951 as the number of veterans in college began to taper off, but in all years since 1951, enrollments have shown regular yearly increases.

The U.S. Office of Education reported last year that total enrollment had soared by 1959 to 3,402,297. In January of this year the Bureau of the Census reported that students enrolled at colleges, universities and professional schools in October 1960 numbered 3,570,000. Projections of population growth and college entrance rates indicate that by the autumn of 1970 approximately 6,006,600 students will be attending colleges and universities, an increase of almost 70 per cent over present attendance.²

FINANCIAL REQUIREMENTS OF THE NEXT DECADE

To deal with a student body of this size will require substantial increases in funds for staffing the colleges and providing needed physical facilities. President Kennedy said in a letter accompanying the draft bill sent to Congress on March 7: "If our youth are to have an opportunity to develop their intellectual capacities to the fullest, steps must be taken immediately to increase the available facilities for higher education and to relieve both the students and the universities from impossible financial burdens."

About 350,000 professional persons are currently engaged in teaching, research, management and administration in the country's institutions of higher education. The U.S. Office of Education estimates that during the next 10 years about 336,000 new staff members must be recruited at the master's and doctor's degree level to replace those removed by death, retirement or resignation and to make the staff additions necessitated by increases in enrollment. To pro-

² U.S. Office of Education, *Ten-Year Objectives in Education, 1960-1970* (January 1961).

vide adequate physical facilities, \$19 billion will be required over the decade—\$13.6 billion of it as a result of the expected enrollment increases. Total expenditures on higher education in the United States now amount to about \$5.5 billion a year. The Council for Financial Aid to Education has estimated the financial requirements in 1969-70 at about \$9 billion, with no allowance for possible price inflation.

SOURCES OF FUNDS TO SUPPORT HIGHER EDUCATION

Funds received at present by American colleges and universities come from the following sources: Tuition and fees, 21.2 per cent; government (local, state and national), 50.9 per cent; private gifts and grants, 16.9 per cent; endowment income, 3.7 per cent; other, 7.3 per cent.³ Only two of these sources—student fees and government—are considered capable of meeting substantial shares of the vastly expanded financial requirements of the next decade.

Seymour E. Harris, Harvard economist, believes that 40 per cent of the costs of higher education will be defrayed from student fees in 1969-70, as compared with the 25 per cent he estimates is supplied from that source today.⁴ Some educators maintain that Harris relies too heavily on tuition as a means of supporting higher education, but even under his projection government contributions to institutions of higher learning would increase from \$1.7 billion in 1957-58 to \$3.7 billion in 1969-70.

The Office of Education has estimated that tuition charges and fees paid by undergraduates in the current academic year average \$168 in public and \$615 in private institutions; they have been rising at an annual rate of about 10 per cent over the past 10 years.⁵ If tuition charges cannot be raised further without depriving worthy students of an opportunity to attend college, the principal alternative is increased aid from government. Of the various governmental sources of revenue for higher education, the states naturally are first in line. But any proposal for increases in state aid to colleges and universities has to compete with money demands for elementary and secondary education, highways, urban redevelopment, and other claims. President Robert D. Calkins of the Brookings In-

³ Estimates by Council for Financial Aid to Education.

⁴ Seymour E. Harris, "Broad Issues in Financing," in Dexter M. Keezer, ed., *Financing Higher Education: 1960-70* (1959), p. 75.

⁵ See "Costs of Education," *E.R.R.*, 1959 Vol. I, pp. 230-242.

Government, Business and Higher Education

stitution has stated: "It is clear that higher education cannot achieve the new goals that are being set for it by relying on state and local support, without substantial help from the federal government."⁶

Federal Aid to Colleges and Students

GROWING SUPPORT of higher education by the federal government is a clearly defined trend. Money already going to colleges and universities from Washington for sponsored research, for student loans and post-graduate fellowships, and in the form of low-interest, long-term loans for construction and other purposes totals well over \$1 billion a year by conservative estimates. College administrators believe that even this amount is inadequate. The American Council on Education, representing more than 1,000 educational institutions and 144 educational organizations, called on Feb. 11 for a massive program of federal aid to colleges to cost nearly \$6 billion over the next four years.

Douglas Knight, president of Lawrence College, has said: "The option of whether or not to have federal aid to higher education no longer exists. [Such aid] cannot be argued away; it cannot be removed without intolerable damage to the life of most larger institutions."⁷ In reaching the same conclusion, Calkins declared: "The issue ahead is how adequately public support can meet the growing needs of higher education and what forms of that support are most appropriate."

ORIGIN AND EXPANSION OF FEDERAL PROGRAMS

Education in the United States has developed mainly as a function of state and local governments and of non-governmental organizations and agencies.⁸ Nevertheless, in its infancy the federal government began operating educational programs of its own and aiding the states and territories in financing and otherwise promoting education. Federal aid to education in the territories began as early as 1785, when an ordinance adopted by the Congress of the Confederation for "ascertaining the mode of disposing of

⁶ Robert D. Calkins, "Government Support of Higher Education," *Financing Higher Education: 1960-70* (1959), p. 203.

⁷ Statement before the 17th American Assembly, Harriman, N. Y., May 6, 1960.

⁸ See "Church-Related Education," *E.R.R.*, 1958 Vol. I, pp. 221-239.

lands in the Western territory" set aside one section in each township for the endowment of schools.

With the admission of Ohio to the Union in 1802, Congress began designating lands for school support at the time of admission of a state. "Undoubtedly the grants strengthened public as related to private education at all levels and set a precedent for other forms of federal aid to education."⁹ These other forms included founding of the first federal institution of higher education—the Military Academy at West Point—in 1802, establishment under the first Morrill Act in 1862 of a policy of aid to states for agricultural and industrial education through land grants for colleges, and introduction under the second Morrill Act in 1890 of a policy of federal money grants for college instruction in specified subjects. These measures were followed by adoption of a policy of federal surplus property disposal to educational institutions in 1919, establishment of the Reserve Officers Training Corps at colleges and universities in 1920, and institution of a policy—under the National Cancer Institute Act of 1937—of granting public health service fellowships.

Programs of federal assistance to higher education were stepped up sharply during and immediately after World War II. The Servicemen's Readjustment Act of 1944 (G.I. Bill of Rights) provided unprecedented educational opportunities for veterans, and two years later the federal government established the "Regular" Naval Reserve Officers Training Corps—considered by some persons to be a full federal scholarship program. In 1946 the Atomic Energy Act initiated fellowship awards by the Atomic Energy Commission. The college housing loan program got its start in 1950. In 1952, new fellowship programs were authorized under the National Science Foundation, and the National Defense Education Act of 1958 established new federal policies on education at all levels.

ANNUAL OUTLAYS; DEPENDENCE ON FEDERAL AID

Homer D. Babbidge, Jr., Assistant Commissioner for Higher Education in the U.S. Office of Education, recently estimated that an annual total of between \$1.5 billion and \$2 billion in federal money flows to or through American

⁹ Charles A. Quattlebaum, "Federal Policies and Practices in Higher Education," in Douglas M. Knight, edit., *The Federal Government and Higher Education* (1960), p. 48.

Government, Business and Higher Education

colleges and universities today. In the first two years of the National Defense Education Act alone, Congress appropriated \$113.7 million for the four higher education programs. These funds were to finance loans aggregating \$76 million by 1,360 participating colleges and universities to about 150,000 students; 2,500 three-year fellowships for graduate students preparing for college teaching careers; establishment of 46 language and area centers for improvement of instruction in languages not commonly taught in the United States; award of modern foreign language fellowships to 532 graduate students preparing to teach languages in college or to use their language competencies in some other area of public service.¹⁰

The increasingly close relationship between leading universities and the federal government was emphasized last year in a study by J. Kenneth Little, director of the Office of Education's survey of federal programs in higher education. Little outlined the development of cooperation, over a six-year period, between federal agencies and a large state university not identified by name. Between 1953 and 1959 the university's receipts from federal funds increased 168 per cent—from \$2,840,900 to \$7,616,800.

By the spring of 1960, federal graduate-level programs were providing 180 fellowships, 245 research assistantships, and 272 project assistantships at the university. The federal funds were channeled in 1958-59 through at least 20 different federal agencies or divisions of agencies under 419 separate grants or contracts. Whereas 38 departments of the university had received funds for federally sponsored projects in 1953-54, as many as 60 departments benefited from such funds in 1958-59. More than two of every 10 members of the university's permanent professional staff in academic departments, and about seven of every 10 professors in the biological and physical sciences, were engaged in federal programs in 1958-59. Little's conclusion was that "Federal activity was omnipresent, its influence pervasive and basically helpful."¹¹

A notable development in the federal-college relationship has been the growth of federal grants and contracts for a wide variety of research projects. Most important of the

¹⁰ Peter P. Muirhead, "National Defense Education Act Progress at Midpoint," *Higher Education*, May 1960, p. 8.

¹¹ J. Kenneth Little, "Federal Programs in a State University," *Higher Education*, October 1960, p. 3.

agencies involved in such activities are the National Science Foundation, the Public Health Service, the Atomic Energy Commission, and the Department of Defense. Together, they allocated at least \$750 million for research in 1960—\$450 million directly to universities and \$300 million to research centers associated with universities. More than 70 per cent of all research conducted by the nation's universities is federally financed: 86 per cent of university research in the physical sciences and 25 per cent in the social sciences. A large part of the money goes to a relatively small number of big institutions; about one-third of the federal funds devoted to university research in 1959 was divided among only 10 universities.

CITICISM OF FEDERAL FINANCING OF RESEARCH

Most criticism of existing federal programs in institutions of higher education has focused on government support of research projects. Martin Summerfield, professor of jet propulsion at Princeton University, listed the typical complaints in a speech last Dec. 8 before the American Rocket Society: Corruption of scholastic standards when universities, fighting for lucrative defense contracts, give in to government technical requirements; ranking of professors who can get contracts above their more scholarly colleagues; exclusion of students from research conferences involving classified information; preoccupation of professors with getting and keeping jobs as consultants to defense contractors, to the detriment of their teaching and research; slighting of non-scientific fields because it is the science and engineering fields that attract more money and attention.

Summerfield said universities need to obtain support "from a federal agency that is responsive to the purposes of higher education, instead of a military agency to which education is a nuisance." The President's Science Advisory Committee, in a statement last Nov. 15, acknowledged: "A particularly grave difficulty in the support of research by government contracts is that by its very nature support given through such a mechanism tends to separate research from education. The research contract, with its concept of services purchased, remains an imperfect instrument." The committee nevertheless recommended continuation of federal support for research projects over long terms and for broad objectives. Once support is granted,

Government, Business and Higher Education

the federal government should leave "complete scientific responsibility for all phases of a research operation . . . with the universities."

Educators have complained that federal research programs absorb the energies and engulf the facilities of the colleges and universities, resulting in unbalanced academic programs. Bentley Glass, president of the American Association of University Professors, told an annual convention of that organization in Detroit, April 9, 1960, that government sponsorship of university research projects was involving the academic scientists in "a sort of scientific Washington merry-go-round." The professor engaged in scientific research, he said, has to devote too much of "the one priceless and most strictly limited commodity—his time" to applying for grants or serving on committees judging the applications of others.

The American Civil Liberties Union declared last year that "It must be clearly recognized that if outside financing of university research and graduate education, particularly in the natural sciences, continues to follow present patterns, it will inevitably lead to a very serious erosion of university control of university activities." Most of the outside financing, the A.C.L.U. pointed out, comes from the federal government, "but no inconsiderable amounts derive from private foundations and industry."

Everett N. Case, president of Colgate University, has warned that government-sponsored research is likely to lead to creation of "shadow faculties" whose members have high salaries but undefined teaching responsibilities. He opposes federal aid for operating grants, "especially in support of faculty salaries," as a threat to academic freedom, but views federal financing of capital requirements as necessary and without risk.¹² A college budget expert has written:

Institutions of higher learning today perform a wide range of activities which, while extremely valuable to the larger community, often have little to do with intellectual development. . . . I believe there is a connection between diminishing fiscal independence and the growth of non-academic functions. So long as the university or college remains an academy, it can legitimately demand financial independence, but the more non-academic it becomes, the weaker is this claim. Indeed, some fiscal officers argue that in higher

¹² Address before annual meeting of American Council on Education, Oct. 7, 1960, in Chicago.

education today academic freedom is no longer a primary concern because the enterprise is no longer primarily academic.¹³

Ideally, university administrators would prefer to exercise fiscal control over public funds once government authorities had designated the amount of funds to be provided. It would be the institution's responsibility to decide how the limited resources available should be distributed among competing academic needs. However, most federal money comes with specific instructions attached.

MEASURES TO SAFEGUARD FREEDOM IN RESEARCH

In partial recognition of the criticisms directed at government financing, the National Science Foundation last summer took steps to give universities greater freedom in research activities. Under the new policy, the foundation, which acts as the government's principal patron of basic research, allows universities to use at the discretion of their scientific departments an amount equal to 5 per cent (or a maximum of \$50,000) of the total they receive in grants from the foundation in a given academic year. Some 200 institutions will receive about \$2.9 million under this provision in the current fiscal year, and consideration is being given to increasing the amounts available for "institutional grants" next year.

A gradual shift in emphasis from federal purchase to federal support of research may be taking place. Department of Defense funds for purchase of research in 1952 constituted 73 per cent of the total laid out by federal agencies that year for university research; in 1960 the Defense Department's share of the total was only 30 per cent. This trend, it has been suggested, may indicate that the federal government "will deal increasingly with universities on the basis of their long-term capacity as intellectual centers and less as research organizations from which they can buy information."¹⁴ It is recognized, meanwhile, that federal research grants have benefits as well as disadvantages. Graduate students in fields in which federal research funds have been lavished are said to be better educated today than ever before, for the federal money has enabled universities to expand teaching staffs.

¹³ Arthur Naftalin, "Fiscal Independence for Higher Education," *Educational Record*, January 1960, p. 29.

¹⁴ Charles V. Kidd (chief of Office of Program Planning of National Institutes of Health), "New Government-University Relationships in Research," *Higher Education*, April 1960, p. 5.

Government, Business and Higher Education

Harvard University announced last March 23 that it had undertaken to find out what effect the increasing use of federal funds was having on its traditional education and research programs. Federal funds received by Harvard increased from almost nothing in the 1930s to nearly 25 per cent of the university's total income in the year 1959-60. Daniel S. Cheever, director of the still uncompleted study, said recently: "The tentative conclusion is that this government support has been available on the university's terms and has enabled the various faculties to conduct research and investigations that were deemed desirable here in Cambridge. A major problem has been that of unreimbursed costs; that is, we do not find that sufficient sums are available to cover the indirect costs of government-sponsored research programs."¹⁵

Comprehensive proposals for better utilization of research and other federal funds going to institutions of higher learning were advanced by the 17th American Assembly, meeting last May at Harriman, N. Y. In a final report issued after three days of discussion of the topic "The Federal Government and Higher Education," the Assembly concluded that the country's colleges and universities "must have appropriate support without any restriction of their indispensable freedom." It recommended that the government pay the full costs, direct and indirect, or any services purchased from the institutions. "Only if government assumes the full cost is the balance between benefit and interference an equitable one." Continuance of loans for college housing and other self-liquidating projects and of assistance furnished under the National Defense Education Act was urged. The Assembly said that the area of increased federal support "most worth stressing and posing the least threat to college and to university freedom is that of assisting with the provision of capital facilities." It called for establishment of a Federal Council of Advisers on Education in the President's office and for creation of a joint congressional committee on education.

OPPOSITION TO LOYALTY OATHS FOR FEDERAL AID

Strong opposition has arisen in institutions of higher learning to a provision of the National Defense Education Act requiring a student applying for a federal loan to submit an affidavit disclaiming belief in violent overthrow

¹⁵ Statement in response to query by Editorial Research Reports.

of the government or membership in any organization teaching such violent overthrow. Perjury penalties of up to \$10,000 fine and five years' imprisonment were prescribed for making false statements in the affidavit. No perjury prosecution has been brought under this provision or under a similar provision of the National Science Foundation Act of 1950.

Nine educational institutions declined to participate in the student loan program from the beginning because of the affidavit requirement, and 15 more withdrew later for the same reason. President A. Whitney Griswold of Yale University, announcing that institution's withdrawal on Nov. 17, 1959, said the affidavit "partakes of the nature of the oppressive religious and political test oaths of history, which were used as a means of exercising control over the educational process by church and state." The American Association of University Professors has listed 112 institutions of higher learning whose presidents or trustees have publicly voiced disapproval of the affidavit requirement.

A bill to eliminate the requirement was introduced in the Senate early in 1960 by Sens. John F. Kennedy (D Mass.), Joseph S. Clark, Jr. (D Pa.), and Jacob K. Javits (R N.Y.).¹⁶ As passed by the Senate by voice vote last June 15, the measure provided for elimination of the affidavit and substitution in its place of a provision making it unlawful for any person to apply for or accept aid under the 1958 act if at the time he applied he was a member of any organization which to his knowledge advocated violent overthrow of the government. At a hearing before a House Education and Labor subcommittee, Chairman Graham A. Barden (D N.C.) said he was "deeply disturbed" by the bill and did not think that "in these times we should just turn loose and not give any young people any guidance or caution."¹⁷ The Senate-passed bill was not reported to the full committee or to the House.

¹⁶ President Eisenhower in his Jan. 18, 1960, budget message also asked repeal of the affidavit requirement.

¹⁷ See *Congressional Quarterly Almanac 1960*, pp. 238-239.

Aid From Corporations and Foundations

DONATIONS to colleges and universities by corporations more than tripled between 1953 and 1959. The Council for Financial Aid to Education, set up in 1953 by a group of businessmen to promote private and corporate support of education, has estimated that voluntary contributions to education—mainly higher education—by business and industry totaled about \$150 million in 1959. Approximately 30,000 corporations were said to be providing some form of financial aid to higher education.

Some corporations have been giving to institutions of higher learning for decades. Yet, as one corporation put it several years ago: "Only in this sixth decade of the century has there been much research, analysis, and thinking through to a logical and consistent philosophy of corporate support of education."¹⁸ Corporation giving was held back for a long time by fears that stockholders would go to court to restrain directors from using corporate funds for other than company business.

GROWTH OF BUSINESS GIVING TO HIGHER EDUCATION

Beginning in 1936, business concerns were allowed under the Internal Revenue Code to make tax-deductible contributions for charitable, educational, and related purposes. But the legality of unrestricted corporation contributions to educational institutions remained in doubt; as late as 1952 most support of education by corporations took the form of scholarships, usually for scientific or technical training directly related to the business of the company. A major policy shift occurred after the legal issue was clarified by the courts in 1953.

Directors of the A. P. Smith Manufacturing Co. of East Orange, N. J., acting under a 1950 New Jersey statute specifically empowering corporations organized in the state to make donations for philanthropic purposes, voted an unrestricted contribution of \$1,500 to Princeton University. Stockholders sued to stop payment of the contribution on the ground that the statute did not apply to corporations chartered prior to enactment of the law. However, the action of the directors was upheld by a decision of the

¹⁸ Advertisement by General Electric Co., *Harper's*, December 1957.

New Jersey superior court on May 19, 1953, which was affirmed by the state supreme court a month later. An appeal to the United States Supreme Court was dismissed on Oct. 26, 1953, "for the want of a substantial federal question."¹⁹

Similar statutes expressly authorizing corporation contributions for educational purposes are found today in at least 40 states. "The fact that the dollar volume of corporate support to education increased rapidly after this decision would indicate that a degree of motivation was already present and mainly needed to be articulated and freed of the threat of litigation."²⁰

ALLOWANCE OF TAX DEDUCTION FOR CONTRIBUTIONS

The Internal Revenue Code allows business corporations to treat as a tax deduction contributions for educational and other philanthropic purposes not aggregating more than 5 per cent of the company's taxable income computed without regard to this provision. In practice, the donations of few corporations of any size approach the 5 per cent figure. The total given to education by corporations now amounts to around one-third of 1 per cent of the combined pre-tax earnings of all corporations.

A group of 21 companies in Cleveland, Ohio, announced on Jan. 23 that they had signed a compact pledging to bring their educational contributions up to 1 per cent of income before taxes in three years. The companies said that if their example was followed nationally, corporate support of higher education would be increased from \$150 million annually to nearly \$500 million.

Principal changes in corporate giving to education in the last eight years have been increased emphasis on capital donations and greater willingness to make unrestricted contributions. Corporations have sought also to encourage employees to contribute to their colleges by matching employee gifts dollar for dollar. More than 100 corporations now have matching gift programs under which they double employee gifts, usually up to a maximum contribution of \$1,000 by the company to match an employee contribution of that amount. Corporations gave about \$2 million in

¹⁹ See "Corporation Donations," *E.R.R.*, 1953 Vol. II, pp. 596-602.

²⁰ W. Homer Turner, "The Prospects for Private-Sector Support of Higher Education," *Financing Higher Education: 1960-70* (1959), p. 228.

Government, Business and Higher Education

this way to an aggregate of around 1,000 educational institutions last year.

REASONS FOR CORPORATION SUPPORT OF EDUCATION

The fact, now generally recognized, that business health and progress depend on the knowledge and skills of educated men and women has commonly been cited as justifying, if not necessitating, corporate aid to education. Corporations have been at pains in recent years, moreover, to create a favorable impression in the public mind. Taking on the role of patron of education has become a mark of corporate citizenship.

Some industrialists view corporate support of higher education as necessary to ward off financial domination of colleges and universities by the federal government. Charles M. White, former chairman of Republic Steel, directing attention last Jan. 23 to the 5 per cent tax deduction, said: "We must not default on this corporate privilege and force the federal government to assume a larger financial role, possibly too late, and almost certainly at greater cost to our business community." Alfred P. Sloan, Jr., former board chairman of General Motors, is said to believe that if corporations do not intervene with generous donations, the federal government will take over the responsibility by default. Increased government aid would lead to increased taxes and thus in effect to business aid to education without any freedom of choice. Harry A. Bullis, former board chairman of General Mills, said nearly a year ago that "Higher education must have freedom from political control, and no informed person wants a higher educational system in this country financed, dominated and controlled by the state."²¹

Bullis observed that one good argument for raising money for colleges was that "They can then have better professors who will train better students and thus permit the colleges to give better salesmen to industry." He conceded that businessmen were "more inclined to make contributions to colleges that are intelligently managed and adjusting their facilities and courses to better serve their [the businessmen's] purposes." This statement suggests why some educators have qualms about massive corporate assistance to higher education.

²¹ Address before seminar on college financing, Minneapolis, Minn., reprinted in *Commercial and Financial Chronicle*, May 26, 1960, p. 12.

Growth of business contributions to higher education, and the consequent raising of questions of academic independence, caused seven university presidents to issue a set of principles in 1956 to guide persons soliciting financial support from corporations. The presidents stated that "The form of corporate giving most useful to the college or university is that which directly supports it by an unrestricted gift."

Corporation support . . . should enlarge, not restrict, the freedom of action of both institutions and individuals. Universities typically have not accepted in the past, and should not in the future accept, gifts that entail the use of services, faculties, or students for any other purpose except the advancement of learning through independent teaching and research. Thus research grants should not carry provisions giving a company exclusive right to the exploitation of the results; scholarships and fellowship awards to students should not bind them to a choice of employment or career; and grants for teaching or research should not limit the institution in its choice of the recipient.²²

Although welcoming gifts from corporations, most university administrators hesitate to place too much reliance on contributions from this source in long-range budget planning. The President's Committee on Education Beyond the High School commented in 1957 that educational budgets "would be very unstable if corporate giving were the principal source of funds," because "too many private factors, such as a drop in earnings or changing stockholder attitudes or the competitive situation of particular corporations, could indirectly affect public needs."

FOUNDATION GRANTS; DIVERSITY OF INCOME SOURCES

Assistance to higher education by corporations is surpassed in dollar volume by grants from philanthropic foundations. Foundation support of education at all levels exceeds \$250 million a year, according to the Foundation Library Center in New York, and a large share of the total goes to higher education. The \$250 million total, moreover, does not include foundation grants for scientific research, the humanities, and international affairs, which amounted in a recent year to \$71 million, \$34 million, and \$33 million, respectively.²³ A portion of these sums finances projects conducted by or associated with institutions of higher education.

²² The statement was signed by the presidents of the University of Chicago, Columbia University, Cornell, Harvard, Princeton, Stanford, and Yale.

²³ *The Foundation Directory, Edition I* (1960), pp. xxxv-liv.

Government, Business and Higher Education

Foundation support of colleges and universities promises to become still more important in the future. About 87 per cent of the foundations listed by the Foundation Library Center have been established since 1940, many of them apparently in response to high taxes.²⁴ The Ford Foundation in 1960 authorized grants for all purposes aggregating \$160.7 million—about 75 per cent of which went for formal educational programs. For the first time in its 10 years of existence as a national philanthropy, the foundation made “free funds” grants, totaling \$46 million, to five privately supported universities in various parts of the United States.²⁵

These universities may use the grants to meet their particular needs—faculty salaries, construction, curriculum experiments, library development, additions to faculty—even if the purpose served is not relevant to any of the current program interests of the Ford Foundation. One objective of the special program was to encourage others to give; the grants carried matching provisions—\$2 must be obtained from other private sources for each dollar of Ford funds, except in the case of Stanford University where the condition is \$3 for each foundation dollar.

The tax-exempt status of foundations, and the tax deduction benefits accruing to corporations which aid education, raise questions of public policy. As the assets of foundations (now around \$12 billion) grow and the contributions of corporations increase, government is likely to become increasingly concerned over loss of revenue from the tax preferences allowed. However, proposals having the effect of reducing foundation-corporation assistance to education would encounter stiff resistance from educators. They believe that existence of a variety of sources of financial support helps to preserve academic freedom.

A special committee representing the Association of American Colleges, the State Universities Association, and the American Association of Land-Grant Colleges and State Universities said last year: “The financial support of higher education is preferably spread among diverse sources, including the state, the church, the student community, and individual philanthropic gifts. Any single institution of learning, whether its principal financial support be public

²⁴ See “Tax-Exempt Foundations,” *E.R.R.*, 1949 Vol. I, pp. 3-16.

²⁵ University of Denver, \$5 million; Johns Hopkins, \$6 million; University of Notre Dame, \$6 million; Stanford, \$25 million; Vanderbilt, \$4 million.

or private, will be best served by having a variety of income sources. This diversity of sponsorship and governance is in itself a substantial guarantee of continuing intellectual freedom." ²⁶

Some educators believe that increased support of higher education by the federal government, by business and by foundations may promote academic freedom by reducing the dependence of state universities on appropriated funds. Six state universities enjoy a constitutional independence that essentially established them as a fourth branch of government. However, as Robert D. Calkins has pointed out:

Most state institutions . . . are creatures of the legislature and have considerably less autonomy. Some are so responsible to the legislature that they have no protection of their freedom save what they can enlist from appeals to that body, or to public opinion. Many state institutions must live under legislative surveillance that involves line-by-line budget approval or the specification of educational policies, curricula, and administrative practices. In many states administrative supervision by state officials has grown in recent years.²⁷

College administrators generally hope that the trend represented by special federal subsidies for higher education will continue. However, they favor due precautions against replacement of voluntary individual, corporation and foundation support by government support. To put federal support of institutions of higher learning on any basis other than supplemental, the American Assembly cautioned, "would endanger the idea of distributive responsibility which is the bedrock of effective democratic practice."

²⁶ Statement reprinted in *School and Society*, March 12, 1960, p. 129.

²⁷ Robert D. Calkins, "Government Support of Higher Education," *Financing Higher Education: 1960-70* (1959), p. 210.



